



## Earnable Compensation Reported to TCRS

According to T.C.A. § 8-34-101(14), “Earnable Compensation” is defined as “compensation payable to a member for services rendered to an employer.” Generally, compensation, should be reported to the retirement system for consideration as Earnable Compensation. The most common types of earnable compensation are salary and wages. Compensation is reported with service credit on the monthly employer file to TCRS.

*Note: Employers must report the gross salary payable before application of the salary reductions for income tax and Social Security purposes to TCRS.*

In addition to salary and wages, Earnable Compensation includes, but is not limited to:

- **State employees, higher education employees, and teachers:** Bonus or incentive payments, if the payments are authorized by legislation stating that it is considered earnable compensation for retirement purposes and is not for the purpose of increasing a member’s retirement benefit or inducing a member to retire. For example, longevity pay as authorized by T.C.A. § 8-23-206(a)(4) would be considered earnable compensation.
- **Local Government employees:** Bonus or incentive payments, so long as the payments are authorized by a resolution adopted by the chief governing body of a local government or political subdivision employer stating that it is earnable compensation for retirement purposes and is not for the purpose of increasing a member’s retirement benefit or inducing a member to retire. It must be a bonus or incentive offered broadly, and if it is only for a class or group, a distinct and reasonable basis must exist for offering the bonus to those particular employees.
- Total amount an employee may choose to receive as cash or a combination of cash and benefits, which includes the payment of an employee’s share of the employer-provided accident/health insurance premium as permitted by the Internal Revenue Code.
- Annual lease value of automobile provided for an entire calendar year by an employer to an employee, as authorized under Internal Revenue Service Regulation 1.61-2T(d), if included in gross income for federal income tax purposes.
- **Overtime Pay:** Overtime pay earned on top of regular wages should be reported to TCRS

## Compensation not creditable, and thus should not be reported to TCRS includes:

- Compensation paid to a teacher employed in a state-supported institution of higher education for performing extra services for the institution that exceeds 25% of the teacher's base compensation. "Extra services" means any duties other than summer school or regular duties.
- Lump sum compensation for unused accumulated leave or compensatory time.
- **Retirement Incentives:** Payment to a member as part of a termination agreement that is not for services rendered, including, without limitation, payments that incentivize retirement.
- **Fire and police bonuses:** Contributions shall not be deducted from any bonus paid to a fireman or policeman for completion of an in-service state training and fire-fighting program. This only applies to the State Law Enforcement Program for local government or political subdivisions.
- **Taxable payments that are not salary (reimbursements):** Payments for transportation, parking, cars, travel, meals, fringe benefits, office allowances, or other similar payments that may be subject to FICA and withholding but are not included in salary, should not be reported.
- **Payments to those other than employees:** Payments to independent contractors, law firms, and others who are not employees should not be reported.

Compensation that exceeds the maximum dollar limitation under § 401(a)(17) of the Internal Revenue Code, as adjusted for cost-of-living increases is not creditable, but salary in excess of the limit should be reported as Regular Pay with Additional Creditable Comp in the "Salary that Exceed IRS Limit" box.

## K-12 public-school teachers, higher education professors, and other contract employees also have additional types of pay that are considered earnable compensation. These include end of contract pay, summer school pay, and stipend/supplement pay.

- **End of contract pay** is a type of compensation where a member is paid the remaining balance of their school year contract after the last working day of the school year. Upon retirement all end of contract pay is accounted for in the year it was earned.
- **Summer school pay** refers to additional compensation earned while teaching summer school. This compensation is creditable and should be reported to TCRS.
- **Stipend/Supplement pay** refers to additional compensation that is appropriated at the beginning of the school year, then worked into the member's contracted salary for an extra duty that the member does. An example of this type of pay is a sports coaching stipend that is added to a member's already contracted teacher pay.

If there are any questions regarding earnable creditable compensation, please contact the Employer Reporting Team, listed under *For Employers* at [RetireReadyTN.gov](https://www.RetireReadyTN.gov).